



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

PETITION OF INTERMEDIA)
COMMUNICATIONS INC. FOR AUTHORITY)
TO ENTER INTO A CREDIT FACILITY)
AGREEMENT AND TO ISSUE SHARES OF)
COMMON AND CONVERTIBLE)
PREFERRED STOCK)

ORDER OF APPROVAL

DOCKET NO.: TF00020108

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising Accountant and Julie Huff, Accountant II, Office of the Economist on behalf of the Staff of the Board of Public Utilities

Kelly Drye & Warren LLP, Washington, D.C. 20036, by Enrico Soriano, for Intermedia Communications Inc.

BY THE BOARD:

On February 1, 2000, Petitioner, Intermedia Communications Inc. ("ICIX"), filed its Petition (the "Petition") with the New Jersey Board of Public Utility ("Board") seeking its approval for ICIX to enter into a credit facility agreement and to issue shares of its common and convertible preferred stock.

ICIX presented evidence through its verified Petition and its response to the staff's request for further information. The Petition and additional information submitted reveal that ICIX is a publicly held Delaware corporation with its headquarters in Tampa, Florida. Further, ICIX is a non-dominant, rapidly growing integrated communications services provider offering a full suite of local, long distance and enhanced data telecommunications services to business and government end-user customers, long distance carriers, Internet service providers, resellers and wireless communications companies. ICIX operates, depending upon the market and service offered, as a facilities-based or non-facilities-based carrier.

ICIX's business is nationwide in scope. It is authorized by the Federal Communications Commission to provide interstate long distance service and international service. ICIX also operates nationwide interconnected frame relay, ATM and IP networks providing data services to its customers. ICIX's intrastate operations, particularly through the offering of local exchange services, are expected to continue to grow although they will not be concentrated in any

particular state. ICIX, either itself or through subsidiaries, is authorized to provide intrastate toll service in 50 states, including New Jersey (Docket No. TM96040266), and to provide competitive local exchange service in 37 states, also including New Jersey (Docket No. TE96110776).

Petitioner seeks the Board's approval for ICIX to borrow up to One Billion Dollars (\$1,000,000,000) under a credit made available by various lender with the Bank of America, NA serving as the principal lender and lead agent for other participating financial institutions. Additional lenders may be added or substituted and the individual loans under the credit agreement may be evidenced by one or more additional agreements. The exact amount of each credit and the terms under which it may be available will be finalized at the time the credit is made available. The terms which ICIX expects, or expects to be substantially similar to, are described in the Petition. The borrowings may be used for general corporate purposes and/or the construction or acquisition of telecommunications-related assets. The loan does not require the pledge of ICIX's shares as ICIX is a publicly held company but its assets and the shares of its subsidiaries are subject to a security interest by the lenders.

In addition to the credit facility, ICIX seeks the Board's approval for the issuance of up to 45 million new shares of common stock with a par value of \$0.01 per share. Up to 15 million of these shares may be offered to the public or to private investors or may be used in connection with the acquisition of other businesses. Any cash proceeds from the issuance of these shares will be used for general corporate purposes, including to fund working capital and operating losses and to acquire or construct telecommunications-related assets. The exact amount and pricing of the shares to be issued to the public or private investors will be specified at the time they are issued so that they will reflect then current market conditions.

Petitioner by its restated Certificate of Incorporation is presently authorized to issue 152,000,000 shares of capital stock; of which 150,000,000 shares shall be classified as Common Stock, \$.01 par value per share, of which 50,985,452 shares are issued and outstanding; and 2,000,000 shares shall be classified as preferred Stock, \$1.00 par value per share, of which 620,111 shares are issued and outstanding.

Approximately 27 million of the remaining common shares may be reserved to be available for issuance to holders of ICIX's convertible preferred stock. The holders of this preferred stock have the right to exchange their preferred shares for common stock at a stated price per share. ICIX will not receive any additional funds upon conversion as one form of equity is merely being exchanged for another. Approval of this request will permit ICIX to expeditiously carry out any requests by the holders of preferred shares to convert to common.

The remaining 3 million shares of common stock are expected to be issued upon the exercise of certain outstanding warrants or new warrants or options to be issued. A portion of these shares and any common shares not issued or immediately needed in connection with the other matters discussed above also may be used for dividends, in lieu of cash, on certain preferred stock for incentive bonuses to employees or for other corporate purposes, including sales to investors and the acquisition of additional telecommunications assets. The Company will receive additional funds upon issuance of these shares.

While the foregoing reflect the Company's expectations with respect to the issuance of the common stock at this time, the amounts dedicated to any of these specific uses may change,

but the maximum aggregate number of shares to be issued will not exceed 45 million. The availability of this additional common stock will assist ICIX with its currently anticipated financing requirements and enable it to satisfy its obligations to the current and future holders of its preferred stock and warrants.

In addition to the debt and common shares, ICIX also seeks approval for the issuance of up to 800,000 shares of new convertible preferred shares. These may be placed privately or be issued to the public from time to time. The price per share, dividend rate, the price at which they may be converted into common shares and other terms will depend on market conditions and the Company's condition at the time the shares are issued. Some of these preferred shares may have voting rights as though they already had been converted. Buyers of some series of the preferred shares also may receive warrants for the subsequent acquisition of additional shares of common or preferred stock at specified prices. Finally, holders of certain ICIX securities may receive shares of this new convertible preferred stock in lieu of cash dividends.

According to Petitioners, the proposed transactions are in the public interest and allow Petitioner's access to necessary capital to expand and develop their network and to fund its current operations ultimately benefiting consumers in New Jersey and elsewhere.

After review of the Petition and supporting submissions of Petitioner, the Board HEREBY FINDS that the transaction is in accordance with the law, is in the public interest and approving the purposes thereof, HEREBY AUTHORIZES Petitioner to do each of the following:

1. To borrow up to \$1,000,000,000 as proposed, subject to the following conditions:
 - a. An event of default under the Credit Agreement or any related agreement shall not result in any automatic transfer of ownership of any Petitioner's certificates issued by the Board.
 - b. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions approved hereunder or other supporting documents, a default or assignment under such agreement does not constitute automatic transfer of Petitioner's assets or shares of capital stock. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq., where applicable.
 - c. The Board's approval herein should not be interpreted as limiting the Board's authority over the Petitioner to the extent that any action contemplated in the Credit Agreement would require further Board review and approval under applicable law.
2. Petitioner to issue up to 45 million shares of its \$0.01 par value Common Stock as proposed and may issue, in one or more transactions, up to 800,000 convertible preferred shares, all as proposed in the Petition.
3. Each of the foregoing approvals are subject to the following additional conditions:
 - a. This Order shall not affect or in any way limit the exercise of the authority of the Board, or of this State, in any future petition or in any proceedings with respect to

rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matter affecting the Petitioner.

- b. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by Petitioner, nor that the share of common stock herein authorized to be issued will be represented by tangible assets of commensurate value or investment cost.

DATED: August 17, 2000

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]
HERBERT H. TATE
PRESIDENT

[SIGNED]
CARMEN J. ARMENTI
COMMISSIONER

[SIGNED]
FREDERICK F. BUTLER
COMMISSIONER

ATTEST: [SIGNED]
FRANCES L. SMITH
SECRETARY

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